

**Before the Ohio Senate, Workforce & Higher Education Committee**  
**Statement of Jeffrey Moritz in support of Senate Bill 135**  
**May 19, 2021**

---

Good afternoon Chairman Johnson, Vice Chairman Cirino, Ranking Member Williams and members of the committee. My name is Jeff Moritz. I live in Rocky River, Ohio and I am here today as a proponent of Senate Bill 135.

I think it's important that you hear my family's story as to why we support Senate Bill 135. We support the bill because it would hold universities accountable for how they manage or fail to manage privately-funded endowments at their institutions.

By way of background, I hold an undergraduate degree from Kenyon College and an MBA from Ohio State University. I have spent my entire career in the investment banking industry.

My father is Mike Moritz. He grew up in Portsmouth and Columbus. My mother, Lou Ann Ransom, is here today. She has lived her entire life in Columbus.

He and my mother both graduated from Ohio State. When applying to law school, my father could not afford the tuition. His family had little money. However, Ohio State offered him a full tuition scholarship plus a stipend. He finished at the top of his class in law school and had the second highest score on the Ohio bar exam in 1961. He could not have attended law school if he had not received this scholarship.

He eventually became a partner in the law firm of Baker Hostetler, where he headed the firm's national corporate law practice. In June 2001, he signed an endowment agreement with Ohio State. He promised to provide \$30 million within 20 days after signing—if OSU would invest those funds as a permanent endowment and spend the earnings only for four specified purposes.

One of those specific purposes was to provide full-tuition scholarships, plus stipend to 30 law students every year. OSU agreed and signed on the dotted line.

Providing those scholarships was pivotal to my father's agreement. He wanted to ensure ample funds for a large number of students to do what he did—attend law school and do well without the burden of huge debt.

Mike lived up to his side of the bargain. Within 20 days after signing, he transferred \$30.3 million to OSU. At the time, it was the largest privately-funded endowment in OSU's history. And OSU named the law school after him.

Nine months later, a hit-and-run driver killed my father as he and my mother were driving home from hearing John Glenn speak at an OSU event in Florida. My dad was 68. By then, OSU had already quietly begun to breach the endowment agreement. But we didn't know it.

About five years ago, I discovered that the university had never provided 30 scholarships in any year. For 19 consecutive years—from the beginning of the Moritz endowment through August 2020—OSU never lived up to that key commitment. Each year—instead of providing 30 students with scholarships, the university provided only twelve, sometimes thirteen, sometimes fourteen, sometimes half of its commitment.

I also discovered that the value of the Moritz endowment had declined by thirty percent. It went from \$30.3 million in 2001 down to \$21.9 million in 2016. Over those years, the endowment should have grown to over \$50 million and easily provided 30 law students with full-tuition scholarships every year.

In that time, over 300 law students incurred substantial debt for a legal education that should have been free—paid for by privately-endowed funds—at no cost to the taxpayers.

I also learned something else.

The university, and as I know now, **many universities**, have been spending scholarship money to compensate the public employees of its Advancement Office—and to throw multi-million-dollar galas to entertain “prospects.” “Prospects” are people identified with enough money to fund endowments.

We’ve learned that Ohio State alone spends as much as \$19 million from its endowments to pay for its Advancement Office. We have also learned that many other Ohio public universities have the same practices.

When colleges and universities spend down the principal, or corpus, of the endowment, the endowment’s earnings power is significantly reduced. With lower earnings, there are reduced scholarship monies available to give to students. This is one of my family’s greatest fears, that eventually the \$30 million gift would be spent to zero.

According to Ohio State Foundation’s audited financials, of the 2,505 named endowment funds approximately 2,107 of these funds are underwater, meaning their market value is lower than the initial gift amount. Many as much as 20-30% underwater.

Regardless of how underwater an endowment is, the university always paid itself first. OSU always takes a share of the endowment to pay for its Advancement officers and their events. Only after that does OSU consider what funds are available to satisfy its commitments to students under its endowment agreements.

Worse, the university insists that no benefactor has the right to enforce that benefactor’s endowment agreement. Even if my father was alive today, Ohio State would tell him he has no legal standing to hold Ohio State to the endowment agreement.

They insist that only the attorney general has the right to enforce those agreements. But the attorney general does not enforce them. Nobody does.

The Uniform Prudent Management of Institutional Funds Act governs the lawfulness of spending endowed funds. Of the 49 states that have enacted some version of that law, Ohio is the only one that makes constant spending of endowed funds legally incontestable.

So long as a university spends 5% of an endowment's value in any given year, Ohio's version of the law says that no one can contest that spending—regardless of how much it diminishes an endowment. Senate Bill 135 would remove that immunity from challenge—making Ohio's version of the law conform to the norms of the 48 other states that have essentially the same law.

But removing that provision won't do much if there's nobody to enforce the law and nobody to enforce an endowment agreement. Senate Bill 135 fixes that problem too. Under the bill, if a benefactor who signed an endowment agreement discovers a breach, the benefactor can demand that the attorney general cure the breach.

If the attorney general does nothing—or does not fix the problem within 6 months—Senate Bill 135 would allow the benefactor to sue the university to enforce the agreement. The benefactor would have no right to sue for damages—just to stop the breach and to restore the funds that the university misspent.

This bill would—for the first time—make universities accountable for breaching their endowment agreements and for overspending endowed funds.

**I'm not here today to disparage Ohio's quality universities.** What my family wants, very simply, is to hold colleges and universities accountable to the students they serve and to the people who provide privately-funded endowments to them. This is a very simple ask and addresses a very significant problem that has languished for decades.

I want to express my thanks Senator Cirino for addressing this important issue and to Senate President Matt Huffman for his willingness to tackle this and other issues in higher education. Others will be testifying today in support of this bill including individuals who have corrected this type of action in other states.

Thank you very much for your time and attention this afternoon. I would be happy to take any questions you may have.